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The Effect of Sustainability Orientation and Marketing Orientation on Marketing Performance in SMEs

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Abstract

The success of a company can be measured through its marketing performance. To achieve success in marketing, companies must adopt a strategic approach that suits dynamic market conditions and increasingly high demands from customers. To achieve this, companies must design the right strategic approach. Having a deep understanding of the factors that influence marketing performance is very important in achieving this goal. Sustainability orientation and marketing orientation have been recognized as key elements that can have a significant impact on a company's marketing success. This study aims to analyze the effect of sustainability orientation and marketing orientation on marketing performance. In combination, sustainability orientation and marketing orientation can give companies a significant advantage in achieving successful marketing performance. This research is a quantitative approach. The number of samples used in this study were 194 samples taken from Small and Medium Enterprises (SMEs) in Central Java Province as respondents in this study. The data source used is a questionnaire with a Likert scale of 1 to 5 points. Analysis test was carried out using SmartPLS software. The results of the research show that there is a significant influence between sustainability orientation and marketing orientation. In addition, the sustainability orientation also has a significant positive effect on marketing performance. Furthermore, this study found that marketing orientation also has a positive and significant influence on marketing performance. In addition, the marketing orientation variable also functions as a reliable mediating variable in mediating the relationship between sustainability orientation and marketing performance.

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Keywords

Sustainability orientation, Marketing orientation, Marketing performance, SMEs

1. Introduction

In an increasingly complex and sustainable business era, companies are faced with pressure to achieve superior marketing performance in order to survive and thrive in this changing and tight market. Järvinen & Karjaluoto (2015) the success of a company can be measured through its marketing performance. Marketing performance reflects the extent to which a company is able to achieve its marketing goals and the effectiveness of the marketing efforts being carried out (Morgan et al., 2019). Evaluation and analysis of all marketing activities is carried out to understand the extent to which the targets have been achieved. Several common indicators are used to measure marketing performance, including sales increase, market share growth, customer loyalty, new customer acquisition, customer retention, and customer satisfaction levels. In addition, factors such as the efficiency of marketing expenditures, return on investment (ROI), and measurements based on specific metrics such as online conversions or response rates are also used as an assessment in evaluating marketing performance. To achieve success in marketing, companies must adopt a strategic approach that suits dynamic market conditions and increasingly high demands from customers (Thakur & Workman, 2016; Khan, 2020).

The success of marketing performance has a crucial role in the growth and survival of the company. In facing increasingly fierce competition in a competitive market, companies must optimize their marketing performance to remain relevant and achieve success (Na et al., 2019). Effective marketing performance is able to provide a competitive advantage, generate significant sales growth, improve brand image, and strengthen relationships with existing and potential customers. Sutapa et al. (2017) to achieve this, companies must design the right strategic approach. Having a deep understanding of the factors that influence marketing performance is very important in achieving this goal. In this context, sustainability orientation and marketing orientation have been recognized as key elements that can have a significant impact on a company's marketing success (Chen et al., 2015).

Sustainability orientation is a strategic approach in which companies consider the economic, social and environmental impacts of their business activities. This concept involves the integration of corporate social responsibility and sustainable business practices in all operational aspects. According to Amin et al. (2016), by adopting a sustainability orientation, companies can achieve long-term benefits by managing risks, building a positive reputation, and attracting customers who care about social and environmental issues. Meanwhile, marketing orientation is a strategic approach in which companies place customers as the center of all their activities. This approach involves deep understanding of customer needs, wants and preferences in order to develop relevant products, services and marketing strategies. Bhat & Darzi (2016) also stated that an effective marketing orientation can help companies gain a competitive advantage and build strong relationships with customers.

Departing from previous research studies, this study tries to analyze the effect of sustainability orientation and marketing orientation on marketing performance. In combination, sustainability orientation and marketing orientation can give companies a significant advantage in achieving successful marketing performance. A sustainability orientation enables the company to manage risk and maintain operational sustainability, while the creation of shared value allows the company to meet customer needs and expectations and build long-term relationships. Meanwhile, marketing orientation allows companies to continuously adapt to changing markets and build strong relationships with customers. In order to improve the company's marketing performance, it is important for the company's management to understand and apply these concepts appropriately. This can be done through the development of a marketing strategy that includes a sustainability orientation and marketing orientation as key elements. By doing this, companies can achieve competitive advantage, build strong customer relationships, and achieve successful marketing performance.

2. Literature Review and Hypothesis

Sustainability orientation describes a company's commitment and focus on achieving sustainable development by integrating environmental, social, and economic considerations into its decision-making and operational processes (Oertwig et al., 2017; Martin-Rios et al., 2020). This approach seeks to strike a balance between the needs of the present without compromising the ability of future generations to meet their needs. Companies that adhere to a sustainability orientation are aware of the potential environmental impacts of their activities, such as resource use, pollution, and greenhouse gas emissions, and strive to minimize or reduce them. In addition, social and ethical aspects are also of concern to this company, including the welfare of employees, communities and other stakeholders. Renukappa et al. (2015) sustainability-oriented companies set goals and targets related to sustainability, such as reducing carbon emissions, implementing sustainable procurement practices, promoting diversity and inclusion, and supporting community development initiatives. They are also engaged in continuous innovation, looking for ways to create products, services and business models that are environmentally friendly, socially responsible and economically viable.

Marketing orientation is a business approach in which companies focus on understanding and fulfilling customer needs and wants. This principle involves gathering and analyzing information about markets and customers, which is then used to design, develop, and market products or services according to customer preferences (Kiessling et al., 2016; Na et al., 2019). Mahmoud et al. (2016) companies that adhere to a marketing orientation seek to understand customer behavior and needs by conducting market research, surveys, or direct interaction. The information obtained is used to design products that meet customer desires, set the right price, choose efficient distribution channels, and design appropriate promotional strategies. The main focus of this approach is to provide value to customers and build long-term relationships. Companies also realize that customer satisfaction is the key to long-term success, so they strive to maintain strong relationships with customers through quality service, after-sales support and ongoing communication (Varadarajan, 2020).

Masa'deh et al. (2018) companies that make sustainability their core value will form a marketing orientation with a focus on meeting the needs and preferences of consumers who care

about the environment and social. This involves understanding the values and expectations of these consumers, as well as adjusting marketing strategies to communicate the extent to which the company's products or services are in line with sustainability objectives. The sustainability orientation also encourages companies to differentiate themselves in the market by emphasizing commitment to sustainable practices and offerings (Zhang & Walton, 2017). By highlighting environmentally friendly production processes, responsible sourcing or social impact initiatives, companies can attract and retain customers who are passionate about sustainability. Moreover, by integrating sustainability into marketing strategy, companies can strengthen brand image and reputation which might result in increased loyalty and support from customers (Fernando et al., 2019). Consumers tend to support companies that demonstrate social and environmental responsibility, which can result in increased sales and market share. Sustainability-oriented marketing efforts can also attract new customer segments and increase customer engagement. Sustainability-oriented companies often communicate transparently and authentically, providing consumers with information about sustainability practices. This transparency builds trust and credibility, which contribute to long-term relationships with customers (Kim & Kim, 2016; Busser & Shulga, 2019).

Hypothesis 1: *There is a positive relationship between sustainability orientation and marketing orientation*

Hypothesis 2: *The positive effect of the relationship between sustainability orientation and marketing performance*

Marketing orientation encourages companies to actively seek a deep understanding of consumer needs, wants, and preferences. By focusing on customers, companies try to build strong relationships with them. The top priority is ensuring customer satisfaction, which can create high customer loyalty and contribute to long-term sales growth (Gruber-Muecke & Hofer, 2015). In this marketing approach, companies try to provide added value to customers through quality products, good customer service, and satisfying experiences. By focusing on customers and creating positive relationships, companies can build trust and a strong image in the market. This can influence consumer perceptions of brands and products, as well as have a direct impact on increasing sales and market share. Marketing orientation also allows companies to take existing market opportunities (Habibi et al., 2015; Buli, 2017; Kajalo & Lindblom, 2015). By understanding market trends, evolving consumer needs, and competitors' activities, companies can design innovative and responsive marketing strategies.

Hypothesis 3: *There is a positive relationship between marketing orientation and marketing performance*

Companies that have a strong commitment to sustainability orientation are committed to implementing sustainable business practices and paying attention to the environmental and social impacts of company operations (Oertwig et al., 2017). However, to articulate this commitment to success in marketing performance requires an appropriate marketing approach. In this context, marketing orientation acts as a link between sustainability orientation and marketing performance. Chen et al (2015) by adopting a strong marketing orientation, companies can integrate sustainability values into their marketing strategy. Companies can adapt their product

or service offerings to the preferences of consumers who care about the environment and social issues, and communicate effectively about their sustainability practices (Amin et al., 2016; Renukappa et al., 2015). Companies can also create awareness and positive perceptions among customers about the sustainability efforts being carried out, which have an impact on the company's brand image and reputation, increase customer loyalty, and ultimately affect the improvement of marketing performance, including increased sales, market share, and customer satisfaction. Kajalo & Lindblom (2015) with a marketing approach that focuses on customer needs, effective communication, and product alignment with sustainability values, companies can optimize the benefits of a commitment to sustainability in achieving better marketing performance.

Hypothesis 4: *The mediating effect of marketing orientation on sustainability orientation on marketing performance*

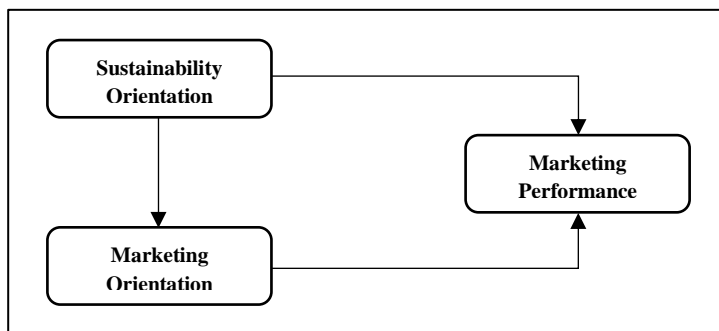


Figure 1. The Research Model

3. Methods

This research is a quantitative approach that is testing the hypothesis. The hypothesis put forward in this study is the effect of sustainability orientation on marketing orientation and marketing performance, the effect of marketing orientation on marketing performance and the role of marketing orientation as a mediating variable. The population in this study is Small and Medium Enterprises (SMEs) in Central Java Province. The sampling technique used random sampling so that the number of samples obtained for research analysis was as many as 194 SMEs. In quantitative research, data is in the form of numbers with a unit of account and by giving a score. The data source for this research is using a questionnaire with a Likert scale of 1 to 5 points. Testing research instruments using validity tests and reliability tests. The analytical technique used in this study uses path analysis. Path analysis is a statistical method that complements each other with the mediation test. The mediation test aims to determine the role of a variable mediating the effect of the independent variable on the dependent variable. The analysis test in this study used the SmartPLS software.

4. Results and Discussion

This research uses two important methods in processing data, namely validity test and reliability test. Validity test aims to evaluate the extent to which the measurement instruments used can accurately and consistently measure latent variables. The purpose of this validity test is to ensure that the measurement instruments used in this study can produce data that accurately reflects the concept you want to measure (Mohajan, 2017). In this context, the accuracy and consistency of measurement instruments can be measured using the Average Variance Extracted (AVE) value. AVE values exceeding 0.5 are considered that the instrument is accurate and consistent in measuring latent variables. By involving reliability tests, this study also ensures that the measurement instruments used have a high level of reliability. Reliability testing is important to ensure that the instrument can produce consistent results in various situations or in different groups. With strong validity and reliability in processing this data, this study provides confidence that the results are reliable and able to provide an accurate picture of the concept being measured. This comprehensive approach in methodology demonstrates high integrity in an effort to achieve research objectives with optimal trust and rigor. The results of the validity test of this study are presented in Table 1.

Table 1. Table caption table caption table caption

Variable	Item	Std. Loading Factor	Average Variance Extracted (AVE)
Sustainability Orientation	SO1	0.716	0.603
	SO2	0.748	
	SO3	0.873	
	SO4	0.833	
	SO5	0.746	
	SO6	0.730	
Marketing Orientation	MO1	0.795	0.595
	MO2	0.779	
	MO3	0.816	
	MO4	0.743	
	MO5	0.727	
	MO6	0.765	
Marketing Performance	MP1	0.797	0.645
	MP2	0.756	
	MP3	0.753	
	MP4	0.836	
	MP5	0.799	
	MP6	0.871	

Based on the results of the validity test shown in Table 1, the Average Variance Extracted (AVE) value for the sustainability orientation variable is 0.603. This value exceeds the threshold of 0.5, indicating that the instrument for measuring the sustainability orientation variable used in this study is accurate and consistent. Furthermore, the marketing orientation variable has an AVE value of 0.595, which also exceeds the 0.5 threshold, indicating that the measurement instrument for the marketing orientation variable is also accurate. Likewise, the marketing performance variable obtained an AVE value of 0.645, which exceeded the 0.5 threshold, thus indicating that the measurement instrument for the marketing performance variable was also accurate and consistent. From the results of the validity test in Table 1, it can be concluded that the

measurement instruments used in this study proved to be accurate and consistent in measuring the variables of sustainability orientation, marketing orientation, and marketing performance.

The next analysis test that was carried out was the reliability test. Reliability test is a statistical procedure that aims to measure the level of consistency or reliability of measurement instruments. The purpose of this reliability test is to ensure that the measurement instruments used in this study can produce stable and reliable results (Sürücü & Maslakci, 2020). Thus, the measurement results obtained can be considered accurate and reflect latent variables well. The reliability of latent variable measurement instruments will be measured using Cronbach's Alpha or Composite Reliability values. With Cronbach's Alpha or Composite Reliability values obtained greater than 0.7, it can be assumed that the latent variable measurement instrument is consistent and reliable. The results of the reliability test are presented in Table 2.

Table 2. Reliability Test

Variable	Item	Std. Loading Factor	Cronbach's Alpha	Composite Reliability
Sustainability Orientation	SO1	0.716	0.868	0.901
	SO2	0.748		
	SO3	0.873		
	SO4	0.833		
	SO5	0.746		
	SO6	0.730		
Marketing Orientation	MO1	0.795	0.866	0.898
	MO2	0.779		
	MO3	0.816		
	MO4	0.743		
	MO5	0.727		
	MO6	0.765		
Marketing Performance	MP1	0.797	0.894	0.916
	MP2	0.756		
	MP3	0.753		
	MP4	0.836		
	MP5	0.799		
	MP6	0.871		

Based on the reliability test results shown in Table 2, the sustainability orientation variable obtained a Cronbach's Alpha value of 0.868 and Composite Reliability of 0.901. These values exceed the threshold of 0.7 indicating that the latent variable measurement instrument has a high degree of consistency and reliability. This shows that the items in the instrument consistently and reliably measure the concept of sustainability orientation. For the marketing orientation variable, the Cronbach's Alpha value was 0.866 and the Composite Reliability was 0.898. Both of these values also exceed the 0.7 threshold, indicating that the variable measurement instrument has a high degree of consistency and reliability. This shows that the items in the instrument consistently and reliably measure the concept of marketing orientation. Meanwhile, the marketing performance variable obtained a Cronbach's Alpha value of 0.894 and Composite Reliability of 0.916. These values also exceed the 0.7 threshold, indicating that the variable measuring instrument has a high degree of consistency and reliability. This shows that the items in the instrument consistently and reliably measure the concept of marketing performance. The results of the reliability test of this study indicate that the measurement instruments used in this study have a high level of consistency and reliability.

Furthermore, hypothesis testing is carried out as a critical step in the research process that allows researchers to test and draw conclusions based on existing empirical evidence. This helps to validate or reject the assumptions put forward in the research hypothesis. The hypothesis tested in this study is the effect of sustainability orientation on marketing orientation and marketing performance. The effect of marketing orientation on marketing performance. As well as the mediating role of marketing orientation on the sustainability orientation of marketing performance. In this test, the P value threshold for the hypothesis to be accepted is 0.05. A P value of less than 0.05 means that the hypothesis has a significant and acceptable influence. While the P value is more than 0.05, it means that it has no significance and the hypothesis is rejected. The results of testing the research hypothesis are presented in Table 3.

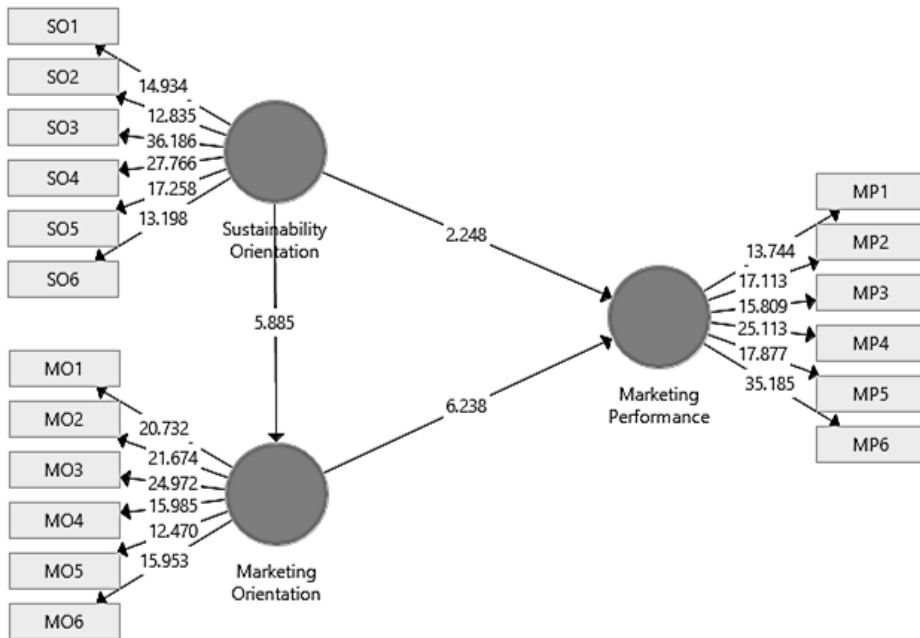


Figure 2. Path Coefficient

Table 2. Hypothesis Testing

Hypothesis	Original Sample	Mean	Standard Deviation	P Values
H1 Sustainability Orientation -> Marketing Orientation	0.368	0.381	0.062	0.000
H2 Sustainability Orientation -> Marketing Performance	0.160	0.167	0.071	0.026
H3 Marketing Orientation -> Marketing Performance	0.411	0.413	0.066	0.000
H4 Sustainability Orientation -> Marketing Orientation -> Marketing Performance	0.151	0.157	0.035	0.000

Based on the results of the hypothesis testing shown in Table 3 above, the first hypothesis obtained a P-value of 0.000. Because the P-value is less than a predetermined threshold (0.05), the first hypothesis is accepted. This shows that there is a significant influence between

sustainability orientation and marketing orientation. The second hypothesis in this hypothesis test obtained a P-value of 0.026 (<0.05), thus the second hypothesis is also accepted. This shows that sustainability orientation also has a significant effect on marketing performance. Furthermore, the third hypothesis which states that marketing orientation influences marketing performance obtains a P-value of 0.000. The P-value is less than 0.05, which means that the hypothesis can be accepted and shows that there is a significant influence between marketing orientation and marketing performance. Whereas in the fourth hypothesis where this hypothesis places the marketing orientation variable as the variable that mediates the relationship between sustainability orientation and marketing performance, it obtains a P-value of 0.000 (<0.05). the P value obtained shows that the hypothesis is also accepted. Thus, it can be concluded that marketing orientation can be used as a reliable mediating variable in mediating the relationship between sustainability orientation and marketing performance.

5. Conclusion

From the results of this study, it can be concluded that there is a significant influence between sustainability orientation and marketing orientation indicating that SMEs that have a focus on sustainability also tend to have a strong orientation in the marketing aspect. In addition, the sustainability orientation also has a significant positive effect on marketing performance. This indicates that SMEs that apply the principles of sustainability in their operations and marketing tend to achieve better marketing performance. This study also found that marketing orientation also has a positive and significant influence on marketing performance. These results reveal that focusing on marketing with the right approach can also have a positive impact on SME marketing results. Furthermore, the marketing orientation variable also functions as a reliable mediating variable in mediating the relationship between sustainability orientation and marketing performance. These results confirm that marketing orientation can be a driving force in strengthening the positive impact of sustainability orientation on marketing performance. The results of this study provide good implications so that they can help business actors to improve their marketing performance by adopting strategies that focus on sustainability and prioritizing the right marketing orientation. In order to achieve success in an increasingly competitive business environment, this research can be a valuable guide for SMEs, especially SMEs in Central Java Province to achieve marketing excellence and contribute to sustainable development.

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